

Message Text

PAGE 01 STATE 100012
ORIGIN ARA-14

INFO OCT-01 ISO-00 EB-08 TRSE-00 OMB-01 NSC-05 SIG-03
MMO-01 PM-05 SP-02 SS-15 CIAE-00 INR-10 NSAE-00
COME-00 OIC-02 IO-13 OPIC-03 XMB-02 AID-05 AGRE-00
EUR-12 AF-10 EA-10 NEA-10 /132 R

DRAFTED BY ARA/CAR:ACHEWITT/BTK
APPROVED BY ARA:JABUSHNELL
ARA:SASHELTON (DRAFT)
ARA/ECP:SROGERS (DRAFT)
ARA/AND:MBARNEBEY (DRAFT)
EB/ODF:AWATSON (DRAFT)
TREASURY:MR. BRADFORD (DRAFT)
OMB:MR. MEYER (DRAFT)
NSC:MR. ERB (DRAFT)

-----081402 191536Z /43

P R 191456Z APR 78
FM SECSTATE WASHDC
TO AMEMBASSY CARACAS PRIORITY
INFO AMEMBASSY BRIDGETOWN
AMCONSUL CURACAO
AMEMBASSY GEORGETOWN
AMEMBASSY KINGSTON
AMEMBASSY NASSAU
AMCONSUL MARTINIQUE
AMEMBASSY PARAMARIBO
AMEMBASSY PORT AU PRINCE
AMEMBASSY PORT OF SPAIN
AMEMBASSY SANTO DOMINGO

C O N F I D E N T I A L STATE 100012

FOR AMBASSADOR

E.O. 11652: GDS

CONFIDENTIAL

PAGE 02 STATE 100012

TAGS:EAID, EFIN, VE, XL,

SUBJECT: CONSULTATIONS ON CARIBBEAN COOPERATION

1. AS YOU KNOW, TIME DID NOT PERMIT A FULL DISCUSSION OF
THE CARIBBEAN AND THE CARIBBEAN GROUP EXERCISE WHEN THE
PRESIDENT MET WITH PRESIDENT PEREZ IN CARACAS. YOU WILL
RECALL, HOWEVER, THAT PRESIDENT PEREZ INDICATED A DESIRE
TO CONSULT FURTHER ON THIS ISSUE, AND SAID THAT HE WAS
"DISAPPOINTED WITH PROGRESS" THUS FAR IN THE AREA OF

CARIBBEAN COOPERATION. THE DEPARTMENT WISHES TO FOLLOW UP ON THIS SUBJECT. THEREFORE YOU SHOULD AT YOUR DISCRETION SEEK AN APPOINTMENT WITH PRESIDENT PEREZ AND/OR OTHER GOVERNMENT OFFICIALS TO DISCUSS THE CARIBBEAN AND THE DEVELOPMENT OF THE CARIBBEAN GROUP EXERCISE OVER THE COMING TWO OR THREE MONTHS. IN YOUR DISCUSSION YOU SHOULD MAKE THE FOLLOWING POINTS:

-- VENEZUELAN SUPPORT AT THE DECEMBER CONFERENCE ON THE CARIBBEAN HOSTED BY THE WORLD BANK WAS ESSENTIAL TO THE SUCCESS OF THAT MEETING. WE CONSIDER CLOSE COOPERATION AND CONSULTATION BETWEEN OUR TWO GOVERNMENTS TO BE A CONTINUING REQUIREMENT FOR REAL PROGRESS IN THE AREA OF CARIBBEAN COOPERATION.

-- WE REGARD THE DECEMBER MEETING AS A MAJOR SUCCESS GIVEN THE CENTRIFUGAL TENDENCIES IN THE CARIBBEAN, AND WE CONSIDER IT PARTICULARLY NOTEWORTHY THAT THE RECIPIENT COUNTRIES TOOK A COMMON POSITION AND USED A SINGLE SPOKESMAN. WE HOPE THE FIRST REGULAR MEETING OF THE CARIBBEAN GROUP NOW SCHEDULED FOR JUNE 19 WILL FURTHER INGRAIN THE HABIT OF WORKING TOGETHER ON BOTH THE DONOR AND THE RECIPIENT SIDES, THOUGH GIVEN THE NATURE OF CONFIDENTIAL

PAGE 03 STATE 100012

THE ISSUES WE DO NOT NECESSARILY EXPECT WIDESPREAD USE OF SINGLE SPOKESMEN IN THE FUTURE.

-- WE ALSO LOOK TO THE JUNE MEETING TO PRODUCE CONCRETE AGREEMENTS AND DECISIONS. THERE SHOULD BE AMPLE TIME BEFORE THE JUNE MEETING FOR GOVERNMENTS TO ANALYZE THE STAFF STUDIES NOW BEING PREPARED BY THE WORLD BANK AND TO REACH THE NECESSARY POLICY DECISIONS. WE LOOK FORWARD TO CONSULTING WITH OTHER DONORS IN PARIS IN MID-MAY IN THE HOPE OF DEVELOPING A COORDINATED APPROACH TO THE JUNE MEETING.

-- A BASIC ISSUE AT THE JUNE MEETING IS LIKELY TO BE THE CONCEPT OF THE CARIBBEAN GOVERNMENTS OF "ADDITIONALITY" OF ASSISTANCE FLOWS. THUS FAR GOVERNMENTS OF THE CARIBBEAN HAVE TENDED TO FOCUS ON WHETHER THE COOPERATIVE EFFORT IS LIKELY TO RESULT IN FOREIGN ASSISTANCE IN ADDITION TO THAT WHICH THEY BELIEVE THEY WOULD HAVE RECEIVED IN ANY EVENT. IN FACT, ASSISTANCE FLOWS TO THE AREA ARE QUITE SUBSTANTIAL, AND HAVE INCREASED RAPIDLY IN RECENT YEARS. IN ANY EVENT, WE BELIEVE THE ISSUE IS NOT THE MARGINAL DOLLAR, BUT MEETING MINIMUM OVERALL REQUIREMENTS OF THE REGION, MAXIMUM EFFICIENCY IN THE USE OF RESOURCES, AND AN EQUITABLE SHARING OF THE BURDEN. HOWEVER, IT IS LIKELY THAT THE CARIBBEAN GROUP WILL DECIDE IN JUNE THAT ADDITIONAL RESOURCES ARE NECESSARY TO ACHIEVE THE OBJECTIVES OF THE

GROUP. WE LOOK FORWARD TO WORKING WITH VENEZUELA AND OTHER GOVERNMENTS ON WAYS TO MEET THOSE REQUIREMENTS.

-- THE U.S. HAS SUBSTANTIALLY INCREASED THE LEVEL OF RESOURCES DEVOTED DIRECTLY TO THE CARIBBEAN OVER THE PAST SEVERAL YEARS, AS FOLLOWS:

U.S. ASSISTANCE TO THE CARIBBEAN
(A.I.D. DEVELOPMENT ASSISTANCE PLUS PL-480)
CONFIDENTIAL

PAGE 04 STATE 100012

IN MILLIONS OF DOLLARS

FY 1975 DOLS 32.3
FY 1976 DOLS 86.1
FY 1977 DOLS 97.6
FY 1978 DOLS 95.9
FY 1979 DOLS 119.8 (CONGRESSIONAL PRESENTATION)

THE CARIBBEAN WILL ABSORB ONE THIRD OF OUR AID TO THE HEMISPHERE IN FY 1979. WE LOOK FORWARD TO CONTINUING OUR ASSISTANCE AT LEAST AT THESE LEVELS OVER THE NEXT SEVERAL YEARS. (FYI: WE UNDERSTAND FROM EMBASSY REPORTING THAT DURING THE PERIOD 1975-78 VENEZUELAN ASSISTANCE TO THE AREA WAS APPROXIMATELY DOLS 130 MILLION, AND WAS ONLY DOLS 20 MILLION IN 1977. END FYI)

-- A FUNDAMENTAL PROBLEM IN THE CARIBBEAN GROUP WILL BE HOW TO HELP SOME GOVERNMENTS DEAL WITH URGENT BALANCE OF PAYMENTS PROBLEMS WHILE AT THE SAME TIME ADDRESSING THE MORE FUNDAMENTAL STRUCTURAL AND DEVELOPMENTAL PROBLEMS OF THE AREA. CLEARLY THE IMF SHOULD PLAY THE LEADING ROLE IN ASSISTING GOVERNMENTS TO DEAL WITH BALANCE OF PAYMENTS PROBLEMS, AND SOME DONOR GOVERNMENTS MAY WISH TO PLAY A DIRECT ROLE AS WELL. OTHERS, LIKE OURSELVES, MAY PREFER TO CONCENTRATE ON LONGER TERM DEVELOPMENT ISSUES, BUT CAN TAILOR THEIR ASSISTANCE SO AS TO MAXIMIZE BALANCE OF PAYMENTS BENEFITS.

-- WHILE THE CARIBBEAN GROUP WILL OF NECESSITY HAVE TO LOOK AT THE DEVELOPMENT PROBLEMS OF INDIVIDUAL RECIPIENT COUNTRIES, AND TO SOME EXTENT WILL HAVE TO DEAL WITH PROBLEMS COMMON TO THE COUNTRIES OF THE REGION
CONFIDENTIAL

PAGE 05 STATE 100012

WITHIN INDIVIDUAL NATIONAL CONTEXTS, WE BELIEVE IT IS ESSENTIAL TO INTRODUCE AN INCREASED ELEMENT OF REGIONALITY INTO THE DEVELOPMENT OF THE AREA AND TO MAKE THE REGIONAL APPROACH THE CENTERPIECE OF THE GROUP. WE DO NOT EXPECT THAT IT WILL BE POSSIBLE TO OVERCOME THE

DEEP HISTORICAL AND CULTURAL CLEAVAGES IN THE AREA OR TO ACHIEVE ANYTHING LIKE ECONOMIC INTEGRATION, EVEN IN PARTICULAR FUNCTIONAL FIELDS, IN THE SHORT RUN. HOWEVER, WE HOPE IT WILL BE POSSIBLE TO EMPHASIZE REGIONAL ASPECTS OF DEVELOPMENT PROGRAMS AND TO STRENGTHEN EXISTING REGIONAL INSTITUTIONS.

-- HENCE, WE WILL EXAMINE PROPOSALS FOR REGIONAL PROGRAMS BEING FORMULATED BY THE SPONSORING IFI'S IN THE HOPE OF BEING ABLE TO SUPPORT THEM OR AT LEAST WORK IN PARALLEL WITH THEM. WE ARE CONSIDERING OTHER POSSIBLE REGIONAL PROJECTS WHICH MIGHT BE OF INTEREST TO RECIPIENTS AND COMMAND THE SUPPORT OF OTHER DONORS. EXAMPLES INCLUDE APPROPRIATE TECHNOLOGY AND SMALL INDUSTRY DEVELOPMENT,

ALTERNATIVE ENERGY SOURCES, AND THE CARICOM REGIONAL FOOD PLAN. WE ENCOURAGE OTHERS TO COME UP WITH PRACTICAL PROGRAMS WITH A REGIONAL COMPONENT THAT COULD BE DISCUSSED AT THE JUNE MEETING.

-- THUS FAR THE BRITISH HAVE INDICATED STRONG SUPPORT FOR THE CARIBBEAN GROUP, AND THE JAPANESE MAY DECIDE TO BECOME MORE INVOLVED IN THE AREA. WE ARE CONSULTING WITH THE CANADIANS THIS WEEK, AND HOPE THEY WILL BE WILLING TO INCREASE THEIR SUPPORT FOR THE AREA. HAS VENEZUELA FIRMED UP ITS OWN PLANS FOR SUPPORT FOR THE CARIBBEAN GROUP? WHAT CAN THEY TELL US ABOUT THE VIEWS OF OTHER POTENTIAL DONORS IN THE REGION (COLOMBIA, BRAZIL, TRINIDAD)?

IN EXPANDING ON THE ABOVE POINTS, YOU MAY WISH TO DRAW
CONFIDENTIAL

PAGE 06 STATE 100012

ON THE FOLLOWING MATERIAL.

2. THE WORLD BANK HAS SCHEDULED THE FIRST MEETING OF THE CARIBBEAN GROUP FOR COOPERATION IN ECONOMIC DEVELOPMENT FOR THE WEEK OF JUNE 19. THE SCENARIO FOR THE MEETING WILL PROBABLY BE ONE OR TWO DAYS OF DISCUSSIONS FOCUSED ON REGIONAL ISSUES, PROBLEMS, AND PROJECTS, FOLLOWED BY TWO OR THREE DAYS DEVOTED TO MEETINGS OF INDIVIDUAL COUNTRY GROUPS. JAMAICA, GUYANA, BARBADOS, AND THE DOMINICAN REPUBLIC HAVE ALREADY REQUESTED THE BANK TO SET UP COUNTRY GROUPS FOR THEM, ALTHOUGH THERE IS UNLIKELY TO BE A SUBGROUP MEETING FOR THE DOMINICAN REPUBLIC UNTIL AT LEAST OCTOBER, AFTER THE INAUGURATION OF THE NEW GOVERNMENT. THE BANK CONTEMPLATES A SUB-REGIONAL GROUP FOR THE ISLANDS OF THE EASTERN CARIBBEAN. THERE ALREADY EXISTS A COUNTRY GROUP FOR HAITI UNDER OAS LEADERSHIP AND IT IS SCHEDULED TO MEET IN PORT AU PRINCE THE WEEK OF JUNE 12. THE BANK HOPES THAT JAMAICA AND GUYANA WILL HAVE COME TO TERMS WITH THE IMF BY THE TIME

OF THE JUNE MEETING AND INDEED THIS IS ONE OF THE REASONS WHY THE CARIBBEAN MEETING HAS BEEN SLIPPED FROM MAY TO JUNE. THE BANK FEELS THAT IT WOULD BE DIFFICULT TO ORGANIZE INDIVIDUAL COUNTRY GROUPS FOR THESE COUNTRIES UNTIL THEY HAVE REACHED AGREEMENT WITH THE IMF, AND ALSO BELIEVES THAT THE CARIBBEAN GROUP EXERCISE WOULD BE GRAVELY JEOPARDIZED IF COUNTRY GROUP SESSIONS FOR THESE COUNTRIES CANNOT BE HELD.

3. IN PREPARATION FOR THE JUNE MEETING THE WORLD BANK HAS HAD TWO KINDS OF TEAMS IN THE FIELD, TEAMS PREPARING INDIVIDUAL COUNTRY PAPERS, AND FUNCTIONAL TEAMS IN THREE AREAS -- AGRICULTURE, TRANSPORTATION, AND INDUSTRY. THESE TEAMS HAVE NOW COMPLETED THEIR FIELD WORK AND
CONFIDENTIAL

PAGE 07 STATE 100012

ARE PREPARING THEIR REPORTS, WHICH SHOULD BE AVAILABLE TO GOVERNMENTS BY THE END OF THIS MONTH. THIS SHOULD PROVIDE AMPLE TIME FOR ANALYSIS AND CONSIDERATION, AND HOPEFULLY BOTH RECIPIENT AND DONOR GOVERNMENTS WILL BE PREPARED FOR CONCRETE DISCUSSION IN JUNE, INCLUDING THE EXAMINATION OF SPECIFIC PROPOSALS.

4. THE WORLD BANK BELIEVES A MEASURE OF AGREEMENT AMONG POTENTIAL DONORS PRIOR TO THE JUNE MEETING IS ESSENTIAL TO THE SUCCESS OF THAT MEETING. CONSEQUENTLY, THE BANK HAS SCHEDULED A DONORS MEETING TO BE HELD IN PARIS MAY 16, EXTENDING INTO MAY 17 IF NECESSARY. WE AGREE THAT CLOSE COORDINATION AMONG DONORS IS ESSENTIAL AT THIS STAGE AND WILL BE SENDING A STRONG DELEGATION TO THE PARIS MEETING. WE HOPE DONORS WILL BE ABLE TO AGREE ON SUPPORT FOR SEVERAL REGIONAL PROJECTS IN THE COURSE OF THE PARIS MEETINGS. IN ADDITION, WE WILL BE CONSULTING INDIVIDUALLY WITH CANADA AND THE U.K. WE UNDERSTAND OTHER DONORS, INCLUDING THE JAPANESE, WILL BE SENDING STRONG DELEGATIONS FROM CAPITALS TO THE PARIS MEETING. WE WOULD BE GLAD TO MEET WITH THE VENEZUELAN DELEGATION THE DAY BEFORE THE PARIS MEETING IF THEY WISH.

5. THREE MAJOR PROPOSALS OF A REGIONAL CHARACTER HAVE ALREADY SURFACED. THE FIRST OF THESE IS A PROPOSED PRE-INVESTMENT FUND BEING ADVANCED BY THE IDB TO PROVIDE BACKING FOR FEASIBILITY AND PREFEASIBILITY STUDIES FOR ESSENTIALLY REGIONAL PROJECTS. THE FUND WOULD BE USED TO FINANCE STUDIES DESIGNED TO BENEFIT TWO OR MORE COUNTRIES IN THE AREA. TOURISM, TRANSPORTATION, AGRICULTURE, AND OTHER PRODUCTIVE PROJECTS ARE IDENTIFIED AS PRIORITY AREAS. WE SEE CONSIDERABLE MERIT IN THE IDB PROPOSAL AND MAY BE PREPARED TO JOIN OTHERS IN SUPPORTING IT AT THE JUNE MEETING. ALTHOUGH THE IDB HAS PROPOSED THAT THE CDB ADMINISTER THIS FUND, WE ARE
CONFIDENTIAL

PAGE 08 STATE 100012

INCLINED TO BELIEVE THIS SHOULD BE JOINTLY ADMINISTERED BY THE IDB AND THE CDB TO ASSURE THAT THE FOCUS IS BROADER THAN JUST THE ENGLISH-SPEAKING COUNTRIES AND TO BRING TO BEAR IDB INSTITUTIONAL EXPERTISE IN THIS AREA.

6. THE SECOND PROPOSAL IS FROM THE WORLD BANK AND SEEKS TO RESPOND TO A NEED THE BANK SEES IN THE AREA OVER THE NEXT SEVERAL YEARS AS GOVERNMENTS DEAL WITH BALANCE OF PAYMENTS PROBLEMS AND MAKE THE STRUCTURAL CHANGES NEEDED TO PUT THEIR ECONOMIES ON A SOUND FOOTING. THE AUSTERITY MEASURES NECESSARY DURING THIS PERIOD MAY JEOPARDIZE GOOD DEVELOPMENT PROJECTS ALREADY FUNDED INTERNATIONALLY BECAUSE GOVERNMENTS ARE NOT ABLE TO SUPPLY THE REQUIRED LOCAL CURRENCIES. THERE ARE TWO

WAYS OF DEALING WITH THIS PROBLEM. ONE IS FOR BI-LATERAL DONORS TO OPERATE THEIR ASSISTANCE PROGRAMS IN SUCH A WAY AS TO GENERATE THE NECESSARY LOCAL CURRENCIES; THE OTHER WOULD BE A SPECIAL FUND TO WHICH DONORS COULD CONTRIBUTE, WHICH WOULD MAKE LOANS TO COVER UNFUNDED LOCAL CURRENCY NEEDS, AND ALSO COST OVERRUNS. THE BANK IS LOOKING AT MECHANISMS BY WHICH THESE TWO APPROACHES MIGHT BE COORDINATED AND MANAGED. THE FIRST APPROACH COULD LEND ITSELF TO OUR ASSISTANCE CRITERIA, WHILE A SPECIAL FUND MIGHT BE A GOOD VEHICLE FOR OTHER DONORS SUCH AS VENEZUELA TO INCREASE THEIR ASSISTANCE TO THE REGION IF IT FITS THEIR ASSISTANCE CRITERIA.

7. THE THIRD PROPOSAL IS FOR A BASIC HUMAN NEEDS TRUST FUND UNDER THE ADMINISTRATION OF THE CARIBBEAN DEVELOPMENT BANK. THE FUND WOULD SUPPORT PROGRAMS INVOLVING PRODUCTIVE EMPLOYMENT, FOOD, SHELTER, HEALTH, AND EDUCATION
CONFIDENTIAL

PAGE 09 STATE 100012

PROJECTS IN CDB MEMBER COUNTRIES, AS WELL AS A VARIETY OF REGIONAL PROJECTS. NO ESTIMATE OF REQUIREMENTS HAS BEEN MADE. THERE MAY BE WAYS WE CAN SUPPORT OR ENCOURAGE IT, BUT WE SEE TWO MAJOR DIFFICULTIES IN THE PROPOSAL. ONE IS THE ABILITY OF CDB TO DEAL WITH A LARGER PROGRAM DUE TO PERSONNEL LIMITATIONS, AND THE OTHER IS ITS RELUCTANCE TO FUNCTION OUTSIDE THE ENGLISH-SPEAKING CARIBBEAN EVEN AS THE ADMINISTRATOR OF A TRUST FUND NOT EMPLOYING ITS OWN FINANCIAL RESOURCES. BOTH THESE DIFFICULTIES PROBABLY CAN BE SOLVED BUT TO DO SO WE WILL NEED THE SUPPORT OF OTHERS.

8. IN ADDITION, WE ARE LOOKING AT A NUMBER OF PROJECT POSSIBILITIES WITH A STRONG REGIONAL ASPECT IN THE AREAS

OF POPULATION, AGRICULTURE, AND PRODUCTIVE ENTERPRISE.
WE MAY WISH TO RAISE SOME OF THESE FOR DISCUSSION AT
THE MAY AND JUNE MEETINGS. WE HOPE OTHERS WILL ALSO
COME FORWARD WITH WELL THOUGHT OUT PROJECTS HAVING A
SUBSTANTIAL REGIONAL CHARACTER. UNLESS SOME SOUND
REGIONAL PROJECTS ARE PUT ON THE TABLE IN JUNE, WE ARE
AFRAID THE PURPOSES OF THE CARIBBEAN GROUP MAY GET LOST
IN THE FACE OF CRITICAL SHORT TERM PROBLEMS FACED BY
SOME GOVERNMENTS AND THE NATURAL TENDENCY OF GOVERNMENTS
IN THE REGION TO EMPHASIZE THEIR OWN NATIONAL DEVELOP-
MENT PRIORITIES.

9. WE STAND READY TO PROVIDE ADDITIONAL INFORMATION
AND BACKGROUND AS REQUIRED, AND LOOK FORWARD TO
VENEZUELAN REACTIONS. CHRISTOPHER

CONFIDENTIAL

PAGE 01 STATE 100012
ORIGIN ARA-04

INFO OCT-01 EUR-02 EA-02 ISO-00 /009 R

YYPQQ

DRAFTED BY: ARA/CAR:ACHEWITT

APPROVED BY: ARA/CAR:ACHEWITT

-----048106 251208Z /11

R 250527Z APR 78

FM SECSTATE WASHDC

TO AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY BRUSSELS

AMEMBASSY BONN

AMEMBASSY THE HAGUE

AMEMBASSY OSLO

AMEMBASSY COPENHAGEN

AMEMBASSY OTTAWA

AMEMBASSY TOKYO

AMEMBASSY MEXICO CITY

AMEMBASSY BOGOTA

AMEMBASSY BRASILIA

AMEMBASSY SAN JOSE

C O N F I D E N T I A L STATE 100012

USOECN ALSO FOR EMBASSY, USEEC ALSO FOR EMBASSY

FOLLOWING REPEAT STATE 100012 ACTION CARACAS INFO
BRIDGETOWN, CURACAO, GEORGETOWN, KINGSTON, NASSAU, MARTINIQUE
PARAMARIBO, PORT AU PRINCE, PORT OF SPAIN, AND SANTO DOMINGO
DATED APRIL 19, 1978.

QUOTE: C O N F I D E N T I A L STATE 100012

FOR AMBASSADOR

CONFIDENTIAL

PAGE 02 STATE 100012

E.O. 11652: GDS

TAGS:EAID, EFIN, VE, XL,

SUBJECT: CONSULTATIONS ON CARIBBEAN COOPERATION

1. AS YOU KNOW, TIME DID NOT PERMIT A FULL DISCUSSION OF THE CARIBBEAN AND THE CARIBBEAN GROUP EXERCISE WHEN THE PRESIDENT MET WITH PRESIDENT PEREZ IN CARACAS. YOU WILL RECALL, HOWEVER, THAT PRESIDENT PEREZ INDICATED A DESIRE TO CONSULT FURTHER ON THIS ISSUE, AND SAID THAT HE WAS "DISAPPOINTED WITH PROGRESS" THUS FAR IN THE AREA OF CARIBBEAN COOPERATION. THE DEPARTMENT WISHES TO FOLLOW UP ON THIS SUBJECT. THEREFORE YOU SHOULD AT YOUR DISCRETION SEEK AN APPOINTMENT WITH PRESIDENT PEREZ AND/OR OTHER GOVERNMENT OFFICIALS TO DISCUSS THE CARIBBEAN AND THE DEVELOPMENT OF THE CARIBBEAN GROUP EXERCISE OVER THE COMING TWO OR THREE MONTHS. IN YOUR DISCUSSION YOU SHOULD MAKE THE FOLLOWING POINTS:

-- VENEZUELAN SUPPORT AT THE DECEMBER CONFERENCE ON THE CARIBBEAN HOSTED BY THE WORLD BANK WAS ESSENTIAL TO THE SUCCESS OF THAT MEETING. WE CONSIDER CLOSE COOPERATION AND CONSULTATION BETWEEN OUR TWO GOVERNMENTS TO BE A CONTINUING REQUIREMENT FOR REAL PROGRESS IN THE AREA OF CARIBBEAN COOPERATION.

-- WE REGARD THE DECEMBER MEETING AS A MAJOR SUCCESS GIVEN THE CENTRIFUGAL TENDENCIES IN THE CARIBBEAN, AND WE CONSIDER IT PARTICULARLY NOTEWORTHY THAT THE RECIPIENT COUNTRIES TOOK A COMMON POSITION AND USED A SINGLE SPOKESMAN. WE HOPE THE FIRST REGULAR MEETING OF THE CARIBBEAN GROUP NOW SCHEDULED FOR JUNE 19 WILL FURTHER
CONFIDENTIAL

PAGE 03 STATE 100012

INGRAIN THE HABIT OF WORKING TOGETHER ON BOTH THE DONOR AND THE RECIPIENT SIDES, THOUGH GIVEN THE NATURE OF THE ISSUES WE DO NOT NECESSARILY EXPECT WIDESPREAD USE OF SINGLE SPOKESMEN IN THE FUTURE.

-- WE ALSO LOOK TO THE JUNE MEETING TO PRODUCE CONCRETE AGREEMENTS AND DECISIONS. THERE SHOULD BE AMPLE TIME BEFORE THE JUNE MEETING FOR GOVERNMENTS TO ANALYZE THE STAFF STUDIES NOW BEING PREPARED BY THE WORLD BANK AND TO REACH THE NECESSARY POLICY DECISIONS. WE LOOK

FORWARD TO CONSULTING WITH OTHER DONORS IN PARIS IN MID-MAY IN THE HOPE OF DEVELOPING A COORDINATED APPROACH TO THE JUNE MEETING.

-- A BASIC ISSUE AT THE JUNE MEETING IS LIKELY TO BE THE CONCEPT OF THE CARIBBEAN GOVERNMENTS OF "ADDITIONALITY" OF ASSISTANCE FLOWS. THUS FAR GOVERNMENTS OF THE CARIBBEAN HAVE TENDED TO FOCUS ON WHETHER THE COOPERATIVE EFFORT IS LIKELY TO RESULT IN FOREIGN ASSISTANCE IN ADDITION TO THAT WHICH THEY BELIEVE THEY WOULD HAVE RECEIVED IN ANY EVENT. IN FACT, ASSISTANCE FLOWS TO THE AREA ARE QUITE SUBSTANTIAL, AND HAVE INCREASED RAPIDLY IN RECENT YEARS. IN ANY EVENT, WE BELIEVE THE ISSUE IS NOT THE MARGINAL DOLLAR, BUT MEETING MINIMUM OVERALL REQUIREMENTS OF THE REGION, MAXIMUM EFFICIENCY IN THE USE OF RESOURCES, AND AN EQUITABLE SHARING OF THE BURDEN. HOWEVER, IT IS LIKELY THAT THE CARIBBEAN GROUP WILL DECIDE IN JUNE THAT ADDITIONAL RESOURCES ARE NECESSARY TO ACHIEVE THE OBJECTIVES OF THE GROUP. WE LOOK FORWARD TO WORKING WITH VENEZUELA AND OTHER GOVERNMENTS ON WAYS TO MEET THOSE REQUIREMENTS.

-- THE U.S. HAS SUBSTANTIALLY INCREASED THE LEVEL OF RESOURCES DEVOTED DIRECTLY TO THE CARIBBEAN OVER THE PAST SEVERAL YEARS, AS FOLLOWS:

CONFIDENTIAL

PAGE 04 STATE 100012

U.S. ASSISTANCE TO THE CARIBBEAN
(A.I.D. DEVELOPMENT ASSISTANCE PLUS PL-480)

IN MILLIONS OF DOLLARS

FY 1975	DOLS	32.3
FY 1976	DOLS	86.1
FY 1977	DOLS	97.6
FY 1978	DOLS	95.9
FY 1979	DOLS	119.8 (CONGRESSIONAL PRESENTATION)

THE CARIBBEAN WILL ABSORB ONE THIRD OF OUR AID TO THE HEMISPHERE IN FY 1979. WE LOOK FORWARD TO CONTINUING OUR ASSISTANCE AT LEAST AT THESE LEVELS OVER THE NEXT SEVERAL YEARS. (FYI: WE UNDERSTAND FROM EMBASSY REPORTING THAT DURING THE PERIOD 1975-78 VENEZUELAN ASSISTANCE TO THE AREA WAS APPROXIMATELY DOLS 130 MILLION, AND WAS ONLY DOLS 20 MILLION IN 1977. END FYI)

-- A FUNDAMENTAL PROBLEM IN THE CARIBBEAN GROUP WILL BE HOW TO HELP SOME GOVERNMENTS DEAL WITH URGENT BALANCE OF PAYMENTS PROBLEMS WHILE AT THE SAME TIME ADDRESSING THE MORE FUNDAMENTAL STRUCTURAL AND DEVELOPMENTAL PROBLEMS OF THE AREA. CLEARLY THE IMF SHOULD PLAY THE LEADING

ROLE IN ASSISTING GOVERNMENTS TO DEAL WITH BALANCE OF PAYMENTS PROBLEMS, AND SOME DONOR GOVERNMENTS MAY WISH TO PLAY A DIRECT ROLE AS WELL. OTHERS, LIKE OURSELVES, MAY PREFER TO CONCENTRATE ON LONGER TERM DEVELOPMENT ISSUES, BUT CAN TAILOR THEIR ASSISTANCE SO AS TO MAXIMIZE BALANCE OF PAYMENTS BENEFITS.

-- WHILE THE CARIBBEAN GROUP WILL OF NECESSITY HAVE TO LOOK AT THE DEVELOPMENT PROBLEMS OF INDIVIDUAL CONFIDENTIAL

PAGE 05 STATE 100012

RECIPIENT COUNTRIES, AND TO SOME EXTENT WILL HAVE TO DEAL WITH PROBLEMS COMMON TO THE COUNTRIES OF THE REGION WITHIN INDIVIDUAL NATIONAL CONTEXTS, WE BELIEVE IT IS ESSENTIAL TO INTRODUCE AN INCREASED ELEMENT OF REGIONALITY INTO THE DEVELOPMENT OF THE AREA AND TO MAKE THE REGIONAL APPROACH THE CENTERPIECE OF THE GROUP. WE DO NOT EXPECT THAT IT WILL BE POSSIBLE TO OVERCOME THE DEEP HISTORICAL AND CULTURAL CLEAVAGES IN THE AREA OR TO ACHIEVE ANYTHING LIKE ECONOMIC INTEGRATION, EVEN IN PARTICULAR FUNCTIONAL FIELDS, IN THE SHORT RUN. HOWEVER, WE HOPE IT WILL BE POSSIBLE TO EMPHASIZE REGIONAL ASPECTS OF DEVELOPMENT PROGRAMS AND TO STRENGTHEN EXISTING REGIONAL INSTITUTIONS.

-- HENCE, WE WILL EXAMINE PROPOSALS FOR REGIONAL PROGRAMS BEING FORMULATED BY THE SPONSORING IFI'S IN THE HOPE OF BEING ABLE TO SUPPORT THEM OR AT LEAST WORK IN PARALLEL WITH THEM. WE ARE CONSIDERING OTHER POSSIBLE REGIONAL PROJECTS WHICH MIGHT BE OF INTEREST TO RECIPIENTS AND COMMAND THE SUPPORT OF OTHER DONORS. EXAMPLES INCLUDE APPROPRIATE TECHNOLOGY AND SMALL INDUSTRY DEVELOPMENT,

ALTERNATIVE ENERGY SOURCES, AND THE CARICOM REGIONAL FOOD PLAN. WE ENCOURAGE OTHERS TO COME UP WITH PRACTICAL PROGRAMS WITH A REGIONAL COMPONENT THAT COULD BE DISCUSSED AT THE JUNE MEETING.

-- THUS FAR THE BRITISH HAVE INDICATED STRONG SUPPORT FOR THE CARIBBEAN GROUP, AND THE JAPANESE MAY DECIDE TO BECOME MORE INVOLVED IN THE AREA. WE ARE CONSULTING WITH THE CANADIANS THIS WEEK, AND HOPE THEY WILL BE WILLING TO INCREASE THEIR SUPPORT FOR THE AREA. HAS VENEZUELA FIRMED UP ITS OWN PLANS FOR SUPPORT FOR THE CARIBBEAN GROUP? WHAT CAN THEY TELL US ABOUT THE VIEWS OF OTHER POTENTIAL DONORS IN THE REGION (COLOMBIA, BRAZIL, TRINIDAD)?
CONFIDENTIAL

PAGE 06 STATE 100012

IN EXPANDING ON THE ABOVE POINTS, YOU MAY WISH TO DRAW

ON THE FOLLOWING MATERIAL.

2. THE WORLD BANK HAS SCHEDULED THE FIRST MEETING OF THE CARIBBEAN GROUP FOR COOPERATION IN ECONOMIC DEVELOPMENT FOR THE WEEK OF JUNE 19. THE SCENARIO FOR THE MEETING WILL PROBABLY BE ONE OR TWO DAYS OF DISCUSSIONS FOCUSED ON REGIONAL ISSUES, PROBLEMS, AND PROJECTS, FOLLOWED BY TWO OR THREE DAYS DEVOTED TO MEETINGS OF INDIVIDUAL COUNTRY GROUPS. JAMAICA, GUYANA, BARBADOS, AND THE DOMINICAN REPUBLIC HAVE ALREADY REQUESTED THE BANK TO SET UP COUNTRY GROUPS FOR THEM, ALTHOUGH THERE IS UNLIKELY TO BE A SUBGROUP MEETING FOR THE DOMINICAN REPUBLIC UNTIL AT LEAST OCTOBER, AFTER THE INAUGURATION OF THE NEW GOVERNMENT. THE BANK CONTEMPLATES A SUB-REGIONAL GROUP FOR THE ISLANDS OF THE EASTERN CARIBBEAN. THERE ALREADY EXISTS A COUNTRY GROUP FOR HAITI UNDER OAS LEADERSHIP AND IT IS SCHEDULED TO MEET IN PORT AU PRINCE THE WEEK OF JUNE 12. THE BANK HOPES THAT JAMAICA AND GUYANA WILL HAVE COME TO TERMS WITH THE IMF BY THE TIME OF THE JUNE MEETING AND INDEED THIS IS ONE OF THE REASONS WHY THE CARIBBEAN MEETING HAS BEEN SLIPPED FROM MAY TO JUNE. THE BANK FEELS THAT IT WOULD BE DIFFICULT TO ORGANIZE INDIVIDUAL COUNTRY GROUPS FOR THESE COUNTRIES UNTIL THEY HAVE REACHED AGREEMENT WITH THE IMF, AND ALSO BELIEVES THAT THE CARIBBEAN GROUP EXERCISE WOULD BE GRAVELY JEOPARDIZED IF COUNTRY GROUP SESSIONS FOR THESE COUNTRIES CANNOT BE HELD.

3. IN PREPARATION FOR THE JUNE MEETING THE WORLD BANK HAS HAD TWO KINDS OF TEAMS IN THE FIELD, TEAMS PREPARING INDIVIDUAL COUNTRY PAPERS, AND FUNCTIONAL TEAMS IN THREE CONFIDENTIAL

PAGE 07 STATE 100012

AREAS -- AGRICULTURE, TRANSPORTATION, AND INDUSTRY. THESE TEAMS HAVE NOW COMPLETED THEIR FIELD WORK AND

ARE PREPARING THEIR REPORTS, WHICH SHOULD BE AVAILABLE TO GOVERNMENTS BY THE END OF THIS MONTH. THIS SHOULD PROVIDE AMPLE TIME FOR ANALYSIS AND CONSIDERATION, AND HOPEFULLY BOTH RECIPIENT AND DONOR GOVERNMENTS WILL BE PREPARED FOR CONCRETE DISCUSSION IN JUNE, INCLUDING THE EXAMINATION OF SPECIFIC PROPOSALS.

4. THE WORLD BANK BELIEVES A MEASURE OF AGREEMENT AMONG POTENTIAL DONORS PRIOR TO THE JUNE MEETING IS ESSENTIAL TO THE SUCCESS OF THAT MEETING. CONSEQUENTLY, THE BANK HAS SCHEDULED A DONORS MEETING TO BE HELD IN PARIS MAY 16, EXTENDING INTO MAY 17 IF NECESSARY. WE AGREE THAT CLOSE COORDINATION AMONG DONORS IS ESSENTIAL AT THIS STAGE AND WILL BE SENDING A STRONG DELEGATION TO THE PARIS MEETING. WE HOPE DONORS WILL BE ABLE TO AGREE ON SUPPORT FOR SEVERAL REGIONAL PROJECTS

IN THE COURSE OF THE PARIS MEETINGS. IN ADDITION, WE WILL BE CONSULTING INDIVIDUALLY WITH CANADA AND THE U.K. WE UNDERSTAND OTHER DONORS, INCLUDING THE JAPANESE, WILL BE SENDING STRONG DELEGATIONS FROM CAPITALS TO THE PARIS MEETING. WE WOULD BE GLAD TO MEET WITH THE VENEZUELAN DELEGATION THE DAY BEFORE THE PARIS MEETING IF THEY WISH.

5. THREE MAJOR PROPOSALS OF A REGIONAL CHARACTER HAVE ALREADY SURFACED. THE FIRST OF THESE IS A PROPOSED PRE-INVESTMENT FUND BEING ADVANCED BY THE IDB TO PROVIDE BACKING FOR FEASIBILITY AND PREFEASIBILITY STUDIES FOR ESSENTIALLY REGIONAL PROJECTS. THE FUND WOULD BE USED TO FINANCE STUDIES DESIGNED TO BENEFIT TWO OR MORE COUNTRIES IN THE AREA. TOURISM, TRANSPORTATION, AGRICULTURE, AND OTHER PRODUCTIVE PROJECTS ARE IDENTIFIED AS PRIORITY AREAS. WE SEE CONSIDERABLE MERIT IN THE IDB PROPOSAL AND MAY BE PREPARED TO JOIN OTHERS IN
CONFIDENTIAL

PAGE 08 STATE 100012

SUPPORTING IT AT THE JUNE MEETING. ALTHOUGH THE IDB HAS PROPOSED THAT THE CDB ADMINISTER THIS FUND, WE ARE INCLINED TO BELIEVE THIS SHOULD BE JOINTLY ADMINISTERED BY THE IDB AND THE CDB TO ASSURE THAT THE FOCUS IS BROADER THAN JUST THE ENGLISH-SPEAKING COUNTRIES AND TO BRING TO BEAR IDB INSTITUTIONAL EXPERTISE IN THIS AREA.

6. THE SECOND PROPOSAL IS FROM THE WORLD BANK AND SEEKS TO RESPOND TO A NEED THE BANK SEES IN THE AREA OVER THE NEXT SEVERAL YEARS AS GOVERNMENTS DEAL WITH BALANCE OF PAYMENTS PROBLEMS AND MAKE THE STRUCTURAL CHANGES NEEDED TO PUT THEIR ECONOMIES ON A SOUND FOOTING. THE AUSTERITY MEASURES NECESSARY DURING THIS PERIOD MAY JEOPARDIZE GOOD DEVELOPMENT PROJECTS ALREADY FUNDED INTERNATIONALLY BECAUSE GOVERNMENTS ARE NOT ABLE TO SUPPLY THE REQUIRED LOCAL CURRENCIES. THERE ARE TWO

WAYS OF DEALING WITH THIS PROBLEM. ONE IS FOR BILATERAL DONORS TO OPERATE THEIR ASSISTANCE PROGRAMS IN SUCH A WAY AS TO GENERATE THE NECESSARY LOCAL CURRENCIES; THE OTHER WOULD BE A SPECIAL FUND TO WHICH DONORS COULD CONTRIBUTE, WHICH WOULD MAKE LOANS TO COVER UNFUNDED LOCAL CURRENCY NEEDS, AND ALSO COST OVERRUNS. THE BANK IS LOOKING AT MECHANISMS BY WHICH THESE TWO APPROACHES MIGHT BE COORDINATED AND MANAGED. THE FIRST APPROACH COULD LEND ITSELF TO OUR ASSISTANCE CRITERIA, WHILE A SPECIAL FUND MIGHT BE A GOOD VEHICLE FOR OTHER DONORS SUCH AS VENEZUELA TO INCREASE THEIR ASSISTANCE TO THE REGION IF IT FITS THEIR ASSISTANCE CRITERIA.

7. THE THIRD PROPOSAL IS FOR A BASIC HUMAN NEEDS TRUST FUND UNDER THE ADMINISTRATION OF THE CARIBBEAN DEVELOPMENT

CONFIDENTIAL

PAGE 09 STATE 100012

BANK. THE FUND WOULD SUPPORT PROGRAMS INVOLVING PRODUCTIVE EMPLOYMENT, FOOD, SHELTER, HEALTH, AND EDUCATION PROJECTS IN CDB MEMBER COUNTRIES, AS WELL AS A VARIETY OF REGIONAL PROJECTS. NO ESTIMATE OF REQUIREMENTS HAS BEEN MADE. THERE MAY BE WAYS WE CAN SUPPORT OR ENCOURAGE IT, BUT WE SEE TWO MAJOR DIFFICULTIES IN THE PROPOSAL. ONE IS THE ABILITY OF CDB TO DEAL WITH A LARGER PROGRAM DUE TO PERSONNEL LIMITATIONS, AND THE OTHER IS ITS RELUCTANCE TO FUNCTION OUTSIDE THE ENGLISH-SPEAKING CARIBBEAN EVEN AS THE ADMINISTRATOR OF A TRUST FUND NOT EMPLOYING ITS OWN FINANCIAL RESOURCES. BOTH THESE DIFFICULTIES PROBABLY CAN BE SOLVED BUT TO DO SO WE WILL NEED THE SUPPORT OF OTHERS.

8. IN ADDITION, WE ARE LOOKING AT A NUMBER OF PROJECT POSSIBILITIES WITH A STRONG REGIONAL ASPECT IN THE AREAS OF POPULATION, AGRICULTURE, AND PRODUCTIVE ENTERPRISE. WE MAY WISH TO RAISE SOME OF THESE FOR DISCUSSION AT THE MAY AND JUNE MEETINGS. WE HOPE OTHERS WILL ALSO COME FORWARD WITH WELL THOUGHT OUT PROJECTS HAVING A SUBSTANTIAL REGIONAL CHARACTER. UNLESS SOME SOUND REGIONAL PROJECTS ARE PUT ON THE TABLE IN JUNE, WE ARE AFRAID THE PURPOSES OF THE CARIBBEAN GROUP MAY GET LOST IN THE FACE OF CRITICAL SHORT TERM PROBLEMS FACED BY SOME GOVERNMENTS AND THE NATURAL TENDENCY OF GOVERNMENTS IN THE REGION TO EMPHASIZE THEIR OWN NATIONAL DEVELOPMENT PRIORITIES.

9. WE STAND READY TO PROVIDE ADDITIONAL INFORMATION AND BACKGROUND AS REQUIRED, AND LOOK FORWARD TO VENEZUELAN REACTIONS.

:#48 590#34 7

:#48 590#34 7,17953 ;-,3

CONFIDENTIAL

PAGE 01 STATE 100012

ORIGIN IO-04

INFO OCT-01 ISO-00 /005 R

66011

DRAFTED BY: IO/UNA:BJSHARP

APPROVED BY: IO/UNA:JFTEFFT

-----082042 280619Z /11

R 280245Z APR 78

FM SECSTATE WASHDC

INFO USMISSION USUN NEW YORK 0000

C O N F I D E N T I A L STATE 100012

FOR AMBASSADOR YOUNG FROM UNA

FOLLOWING REPEAT STATE 100012 SENT ACTION LONDON, PARIS, BRUSSELS,
BONN, THE HAGUE, OSLO, COPENHAGEN, OTTAWA, TOKYO, MEXICO, BOGOTA,
BRASILIA, SAN JOSE 25 APR 78

QUOTE C O N F I D E N T I A L STATE 100012

USOECN ALSO FOR EMBASSY, USEEC ALSO FOR EMBASSY

FOLLOWING REPEAT STATE 100012 ACTION CARACAS INFO
BRIDGETOWN, CURACAO, GEORGETOWN, KINGSTON, NASSAU, MARTINIQUE
PARAMARIBO, PORT AU PRINCE, PORT OF SPAIN, AND SANTO DOMINGO
DATED APRIL 19, 1978.

QUOTE: C O N F I D E N T I A L STATE 100012

FOR AMBASSADOR

E.O. 11652: GDS

TAGS:EAID, EFIN, VE, XL,

CONFIDENTIAL

PAGE 02 STATE 100012

SUBJECT: CONSULTATIONS ON CARIBBEAN COOPERATION

1. AS YOU KNOW, TIME DID NOT PERMIT A FULL DISCUSSION OF
THE CARIBBEAN AND THE CARIBBEAN GROUP EXERCISE WHEN THE
PRESIDENT MET WITH PRESIDENT PEREZ IN CARACAS. YOU WILL
RECALL, HOWEVER, THAT PRESIDENT PEREZ INDICATED A DESIRE
TO CONSULT FURTHER ON THIS ISSUE, AND SAID THAT HE WAS
"DISAPPOINTED WITH PROGRESS" THUS FAR IN THE AREA OF
CARIBBEAN COOPERATION. THE DEPARTMENT WISHES TO FOLLOW
UP ON THIS SUBJECT. THEREFORE YOU SHOULD AT YOUR DIS-
CRETION SEEK AN APPOINTMENT WITH PRESIDENT PEREZ AND/OR
OTHER GOVERNMENT OFFICIALS TO DISCUSS THE CARIBBEAN AND
THE DEVELOPMENT OF THE CARIBBEAN GROUP EXERCISE OVER THE
COMING TWO OR THREE MONTHS. IN YOUR DISCUSSION YOU SHOULD
MAKE THE FOLLOWING POINTS:

-- VENEZUELAN SUPPORT AT THE DECEMBER CONFERENCE ON THE
CARIBBEAN HOSTED BY THE WORLD BANK WAS ESSENTIAL TO THE
SUCCESS OF THAT MEETING. WE CONSIDER CLOSE COOPERATION
AND CONSULTATION BETWEEN OUR TWO GOVERNMENTS TO BE A
CONTINUING REQUIREMENT FOR REAL PROGRESS IN THE AREA
OF CARIBBEAN COOPERATION.

-- WE REGARD THE DECEMBER MEETING AS A MAJOR SUCCESS
GIVEN THE CENTRIFUGAL TENDENCIES IN THE CARIBBEAN, AND

WE CONSIDER IT PARTICULARLY NOTEWORTHY THAT THE RECIPIENT COUNTRIES TOOK A COMMON POSITION AND USED A SINGLE SPOKESMAN. WE HOPE THE FIRST REGULAR MEETING OF THE CARIBBEAN GROUP NOW SCHEDULED FOR JUNE 19 WILL FURTHER INGRAIN THE HABIT OF WORKING TOGETHER ON BOTH THE DONOR AND THE RECIPIENT SIDES, THOUGH GIVEN THE NATURE OF THE ISSUES WE DO NOT NECESSARILY EXPECT WIDESPREAD USE OF SINGLE SPOKESMEN IN THE FUTURE.

CONFIDENTIAL

PAGE 03 STATE 100012

-- WE ALSO LOOK TO THE JUNE MEETING TO PRODUCE CONCRETE AGREEMENTS AND DECISIONS. THERE SHOULD BE AMPLE TIME BEFORE THE JUNE MEETING FOR GOVERNMENTS TO ANALYZE THE STAFF STUDIES NOW BEING PREPARED BY THE WORLD BANK AND TO REACH THE NECESSARY POLICY DECISIONS. WE LOOK FORWARD TO CONSULTING WITH OTHER DONORS IN PARIS IN MID-MAY IN THE HOPE OF DEVELOPING A COORDINATED APPROACH TO THE JUNE MEETING.

-- A BASIC ISSUE AT THE JUNE MEETING IS LIKELY TO BE THE CONCEPT OF THE CARIBBEAN GOVERNMENTS OF "ADDITIONALITY" OF ASSISTANCE FLOWS. THUS FAR GOVERNMENTS OF THE CARIBBEAN HAVE TENDED TO FOCUS ON WHETHER THE COOPERATIVE EFFORT IS LIKELY TO RESULT IN FOREIGN ASSISTANCE IN ADDITION TO THAT WHICH THEY BELIEVE THEY WOULD HAVE RECEIVED IN ANY EVENT. IN FACT, ASSISTANCE FLOWS TO THE AREA ARE QUITE SUBSTANTIAL, AND HAVE INCREASED RAPIDLY IN RECENT YEARS. IN ANY EVENT, WE BELIEVE THE ISSUE IS NOT THE MARGINAL DOLLAR, BUT MEETING MINIMUM OVERALL REQUIREMENTS OF THE REGION, MAXIMUM EFFICIENCY IN THE USE OF RESOURCES, AND AN EQUITABLE SHARING OF THE BURDEN. HOWEVER, IT IS LIKELY THAT THE CARIBBEAN GROUP WILL DECIDE IN JUNE THAT ADDITIONAL RESOURCES ARE NECESSARY TO ACHIEVE THE OBJECTIVES OF THE GROUP. WE LOOK FORWARD TO WORKING WITH VENEZUELA AND OTHER GOVERNMENTS ON WAYS TO MEET THOSE REQUIREMENTS.

-- THE U.S. HAS SUBSTANTIALLY INCREASED THE LEVEL OF RESOURCES DEVOTED DIRECTLY TO THE CARIBBEAN OVER THE PAST SEVERAL YEARS, AS FOLLOWS:

U.S. ASSISTANCE TO THE CARIBBEAN
(A.I.D. DEVELOPMENT ASSISTANCE PLUS PL-480)

IN MILLIONS OF DOLLARS
CONFIDENTIAL

PAGE 04 STATE 100012

FY 1975 DOLS 32.3
FY 1976 DOLS 86.1
FY 1977 DOLS 97.6

FY 1978 DOLS 95.9

FY 1979 DOLS 119.8 (CONGRESSIONAL PRESENTATION)

THE CARIBBEAN WILL ABSORB ONE THIRD OF OUR AID TO THE HEMISPHERE IN FY 1979. WE LOOK FORWARD TO CONTINUING OUR ASSISTANCE AT LEAST AT THESE LEVELS OVER THE NEXT SEVERAL YEARS. (FYI: WE UNDERSTAND FROM EMBASSY REPORTING THAT DURING THE PERIOD 1975-78 VENEZUELAN ASSISTANCE TO THE AREA WAS APPROXIMATELY DOLS 130 MILLION, AND WAS ONLY DOLS 20 MILLION IN 1977. END FYI)

-- A FUNDAMENTAL PROBLEM IN THE CARIBBEAN GROUP WILL BE HOW TO HELP SOME GOVERNMENTS DEAL WITH URGENT BALANCE OF PAYMENTS PROBLEMS WHILE AT THE SAME TIME ADDRESSING THE MORE FUNDAMENTAL STRUCTURAL AND DEVELOPMENTAL PROBLEMS OF THE AREA. CLEARLY THE IMF SHOULD PLAY THE LEADING ROLE IN ASSISTING GOVERNMENTS TO DEAL WITH BALANCE OF PAYMENTS PROBLEMS, AND SOME DONOR GOVERNMENTS MAY WISH TO PLAY A DIRECT ROLE AS WELL. OTHERS, LIKE OURSELVES, MAY PREFER TO CONCENTRATE ON LONGER TERM DEVELOPMENT ISSUES, BUT CAN TAILOR THEIR ASSISTANCE SO AS TO MAXIMIZE BALANCE OF PAYMENTS BENEFITS.

-- WHILE THE CARIBBEAN GROUP WILL OF NECESSITY HAVE TO LOOK AT THE DEVELOPMENT PROBLEMS OF INDIVIDUAL RECIPIENT COUNTRIES, AND TO SOME EXTENT WILL HAVE TO DEAL WITH PROBLEMS COMMON TO THE COUNTRIES OF THE REGION WITHIN INDIVIDUAL NATIONAL CONTEXTS, WE BELIEVE IT IS ESSENTIAL TO INTRODUCE AN INCREASED ELEMENT OF REGION-CONFIDENTIAL

PAGE 05 STATE 100012

ALITY INTO THE DEVELOPMENT OF THE AREA AND TO MAKE THE REGIONAL APPROACH THE CENTERPIECE OF THE GROUP. WE DO NOT EXPECT THAT IT WILL BE POSSIBLE TO OVERCOME THE DEEP HISTORICAL AND CULTURAL CLEAVAGES IN THE AREA OR TO ACHIEVE ANYTHING LIKE ECONOMIC INTEGRATION, EVEN IN PARTICULAR FUNCTIONAL FIELDS, IN THE SHORT RUN. HOWEVER, WE HOPE IT WILL BE POSSIBLE TO EMPHASIZE REGIONAL ASPECTS OF DEVELOPMENT PROGRAMS AND TO STRENGTHEN EXISTING REGIONAL INSTITUTIONS.

-- HENCE, WE WILL EXAMINE PROPOSALS FOR REGIONAL PROGRAMS BEING FORMULATED BY THE SPONSORING IFI'S IN THE HOPE OF BEING ABLE TO SUPPORT THEM OR AT LEAST WORK IN PARALLEL WITH THEM. WE ARE CONSIDERING OTHER POSSIBLE REGIONAL PROJECTS WHICH MIGHT BE OF INTEREST TO RECIPIENTS AND COMMAND THE SUPPORT OF OTHER DONORS. EXAMPLES INCLUDE APPROPRIATE TECHNOLOGY AND SMALL INDUSTRY DEVELOPMENT,

ALTERNATIVE ENERGY SOURCES, AND THE CARICOM REGIONAL FOOD PLAN. WE ENCOURAGE OTHERS TO COME UP WITH PRACTICAL PROGRAMS WITH A REGIONAL COMPONENT THAT COULD BE DIS-

CUSSED AT THE JUNE MEETING.

-- THUS FAR THE BRITISH HAVE INDICATED STRONG SUPPORT FOR THE CARIBBEAN GROUP, AND THE JAPANESE MAY DECIDE TO BECOME MORE INVOLVED IN THE AREA. WE ARE CONSULTING WITH THE CANADIANS THIS WEEK, AND HOPE THEY WILL BE WILLING TO INCREASE THEIR SUPPORT FOR THE AREA. HAS VENEZUELA FIRMED UP ITS OWN PLANS FOR SUPPORT FOR THE CARIBBEAN GROUP? WHAT CAN THEY TELL US ABOUT THE VIEWS OF OTHER POTENTIAL DONORS IN THE REGION (COLOMBIA, BRAZIL, TRINIDAD)?

IN EXPANDING ON THE ABOVE POINTS, YOU MAY WISH TO DRAW ON THE FOLLOWING MATERIAL.

CONFIDENTIAL

PAGE 06 STATE 100012

2. THE WORLD BANK HAS SCHEDULED THE FIRST MEETING OF THE CARIBBEAN GROUP FOR COOPERATION IN ECONOMIC DEVELOPMENT FOR THE WEEK OF JUNE 19. THE SCENARIO FOR THE MEETING WILL PROBABLY BE ONE OR TWO DAYS OF DISCUSSIONS FOCUSED ON REGIONAL ISSUES, PROBLEMS, AND PROJECTS, FOLLOWED BY TWO OR THREE DAYS DEVOTED TO MEETINGS OF INDIVIDUAL COUNTRY GROUPS. JAMAICA, GUYANA, BARBADOS, AND THE DOMINICAN REPUBLIC HAVE ALREADY REQUESTED THE BANK TO SET UP COUNTRY GROUPS FOR THEM, ALTHOUGH THERE IS UNLIKELY TO BE A SUBGROUP MEETING FOR THE DOMINICAN REPUBLIC UNTIL AT LEAST OCTOBER, AFTER THE INAUGURATION OF THE NEW GOVERNMENT. THE BANK CONTEMPLATES A SUB-REGIONAL GROUP FOR THE ISLANDS OF THE EASTERN CARIBBEAN. THERE ALREADY EXISTS A COUNTRY GROUP FOR HAITI UNDER OAS LEADERSHIP AND IT IS SCHEDULED TO MEET IN PORT AU PRINCE THE WEEK OF JUNE 12. THE BANK HOPES THAT JAMAICA AND GUYANA WILL HAVE COME TO TERMS WITH THE IMF BY THE TIME OF THE JUNE MEETING AND INDEED THIS IS ONE OF THE REASONS WHY THE CARIBBEAN MEETING HAS BEEN SLIPPED FROM MAY TO JUNE. THE BANK FEELS THAT IT WOULD BE DIFFICULT TO ORGANIZE INDIVIDUAL COUNTRY GROUPS FOR THESE COUNTRIES UNTIL THEY HAVE REACHED AGREEMENT WITH THE IMF, AND ALSO BELIEVES THAT THE CARIBBEAN GROUP EXERCISE WOULD BE GRAVELY JEOPARDIZED IF COUNTRY GROUP SESSIONS FOR THESE COUNTRIES CANNOT BE HELD.

3. IN PREPARATION FOR THE JUNE MEETING THE WORLD BANK HAS HAD TWO KINDS OF TEAMS IN THE FIELD, TEAMS PREPARING INDIVIDUAL COUNTRY PAPERS, AND FUNCTIONAL TEAMS IN THREE AREAS -- AGRICULTURE, TRANSPORTATION, AND INDUSTRY. THESE TEAMS HAVE NOW COMPLETED THEIR FIELD WORK AND

ARE PREPARING THEIR REPORTS, WHICH SHOULD BE AVAILABLE
CONFIDENTIAL

PAGE 07 STATE 100012

TO GOVERNMENTS BY THE END OF THIS MONTH. THIS SHOULD PROVIDE AMPLE TIME FOR ANALYSIS AND CONSIDERATION, AND HOPEFULLY BOTH RECIPIENT AND DONOR GOVERNMENTS WILL BE PREPARED FOR CONCRETE DISCUSSION IN JUNE, INCLUDING THE EXAMINATION OF SPECIFIC PROPOSALS.

4. THE WORLD BANK BELIEVES A MEASURE OF AGREEMENT AMONG POTENTIAL DONORS PRIOR TO THE JUNE MEETING IS ESSENTIAL TO THE SUCCESS OF THAT MEETING. CONSEQUENTLY, THE BANK HAS SCHEDULED A DONORS MEETING TO BE HELD IN PARIS MAY 16, EXTENDING INTO MAY 17 IF NECESSARY. WE AGREE THAT CLOSE COORDINATION AMONG DONORS IS ESSENTIAL AT THIS STAGE AND WILL BE SENDING A STRONG DELEGATION TO THE PARIS MEETING. WE HOPE DONORS WILL BE ABLE TO AGREE ON SUPPORT FOR SEVERAL REGIONAL PROJECTS IN THE COURSE OF THE PARIS MEETINGS. IN ADDITION, WE WILL BE CONSULTING INDIVIDUALLY WITH CANADA AND THE U.K. WE UNDERSTAND OTHER DONORS, INCLUDING THE JAPANESE, WILL BE SENDING STRONG DELEGATIONS FROM CAPITALS TO THE PARIS MEETING. WE WOULD BE GLAD TO MEET WITH THE VENEZUELAN DELEGATION THE DAY BEFORE THE PARIS MEETING IF THEY WISH.

5. THREE MAJOR PROPOSALS OF A REGIONAL CHARACTER HAVE ALREADY SURFACED. THE FIRST OF THESE IS A PROPOSED PRE-INVESTMENT FUND BEING ADVANCED BY THE IDB TO PROVIDE BACKING FOR FEASIBILITY AND PREFEASIBILITY STUDIES FOR ESSENTIALLY REGIONAL PROJECTS. THE FUND WOULD BE USED TO FINANCE STUDIES DESIGNED TO BENEFIT TWO OR MORE COUNTRIES IN THE AREA. TOURISM, TRANSPORTATION, AGRICULTURE, AND OTHER PRODUCTIVE PROJECTS ARE IDENTIFIED AS PRIORITY AREAS. WE SEE CONSIDERABLE MERIT IN THE IDB PROPOSAL AND MAY BE PREPARED TO JOIN OTHERS IN SUPPORTING IT AT THE JUNE MEETING. ALTHOUGH THE IDB HAS PROPOSED THAT THE CDB ADMINISTER THIS FUND, WE ARE INCLINED TO BELIEVE THIS SHOULD BE JOINTLY ADMINISTERED BY THE IDB AND THE CDB TO ASSURE THAT THE FOCUS IS CONFIDENTIAL

PAGE 08 STATE 100012

BROADER THAN JUST THE ENGLISH-SPEAKING COUNTRIES AND TO BRING TO BEAR IDB INSTITUTIONAL EXPERTISE IN THIS AREA.

6. THE SECOND PROPOSAL IS FROM THE WORLD BANK AND SEEKS TO RESPOND TO A NEED THE BANK SEES IN THE AREA OVER THE NEXT SEVERAL YEARS AS GOVERNMENTS DEAL WITH BALANCE OF PAYMENTS PROBLEMS AND MAKE THE STRUCTURAL CHANGES NEEDED TO PUT THEIR ECONOMIES ON A SOUND FOOTING. THE AUSTERITY MEASURES NECESSARY DURING THIS PERIOD MAY JEOPARDIZE GOOD DEVELOPMENT PROJECTS ALREADY FUNDED INTERNATIONALLY BECAUSE GOVERNMENTS ARE NOT ABLE TO SUPPLY THE REQUIRED LOCAL CURRENCIES. THERE ARE TWO

WAYS OF DEALING WITH THIS PROBLEM. ONE IS FOR BILATERAL DONORS TO OPERATE THEIR ASSISTANCE PROGRAMS IN SUCH A WAY AS TO GENERATE THE NECESSARY LOCAL CURRENCIES; THE OTHER WOULD BE A SPECIAL FUND TO WHICH DONORS COULD CONTRIBUTE, WHICH WOULD MAKE LOANS TO COVER UNFUNDED LOCAL CURRENCY NEEDS, AND ALSO COST OVERRUNS. THE BANK IS LOOKING AT MECHANISMS BY WHICH THESE TWO APPROACHES MIGHT BE COORDINATED AND MANAGED. THE FIRST APPROACH COULD LEND ITSELF TO OUR ASSISTANCE CRITERIA, WHILE A SPECIAL FUND MIGHT BE A GOOD VEHICLE FOR OTHER DONORS SUCH AS VENEZUELA TO INCREASE THEIR ASSISTANCE TO THE REGION IF IT FITS THEIR ASSISTANCE CRITERIA.

7. THE THIRD PROPOSAL IS FOR A BASIC HUMAN NEEDS TRUST FUND UNDER THE ADMINISTRATION OF THE CARIBBEAN DEVELOPMENT BANK. THE FUND WOULD SUPPORT PROGRAMS INVOLVING PRODUCTIVE EMPLOYMENT, FOOD, SHELTER, HEALTH, AND EDUCATION PROJECTS IN CDB MEMBER COUNTRIES, AS WELL AS A VARIETY OF REGIONAL PROJECTS. NO ESTIMATE OF REQUIREMENTS HAS

CONFIDENTIAL

PAGE 09 STATE 100012

BEEN MADE. THERE MAY BE WAYS WE CAN SUPPORT OR ENCOURAGE IT, BUT WE SEE TWO MAJOR DIFFICULTIES IN THE PROPOSAL. ONE IS THE ABILITY OF CDB TO DEAL WITH A LARGER PROGRAM DUE TO PERSONNEL LIMITATIONS, AND THE OTHER IS ITS RELUCTANCE TO FUNCTION OUTSIDE THE ENGLISH-SPEAKING CARIBBEAN EVEN AS THE ADMINISTRATOR OF A TRUST FUND NOT EMPLOYING ITS OWN FINANCIAL RESOURCES. BOTH THESE DIFFICULTIES PROBABLY CAN BE SOLVED BUT TO DO SO WE WILL NEED THE SUPPORT OF OTHERS.

8. IN ADDITION, WE ARE LOOKING AT A NUMBER OF PROJECT POSSIBILITIES WITH A STRONG REGIONAL ASPECT IN THE AREAS OF POPULATION, AGRICULTURE, AND PRODUCTIVE ENTERPRISE. WE MAY WISH TO RAISE SOME OF THESE FOR DISCUSSION AT THE MAY AND JUNE MEETINGS. WE HOPE OTHERS WILL ALSO COME FORWARD WITH WELL THOUGHT OUT PROJECTS HAVING A SUBSTANTIAL REGIONAL CHARACTER. UNLESS SOME SOUND REGIONAL PROJECTS ARE PUT ON THE TABLE IN JUNE, WE ARE AFRAID THE PURPOSES OF THE CARIBBEAN GROUP MAY GET LOST IN THE FACE OF CRITICAL SHORT TERM PROBLEMS FACED BY SOME GOVERNMENTS AND THE NATURAL TENDENCY OF GOVERNMENTS IN THE REGION TO EMPHASIZE THEIR OWN NATIONAL DEVELOPMENT PRIORITIES.

9. WE STAND READY TO PROVIDE ADDITIONAL INFORMATION AND BACKGROUND AS REQUIRED, AND LOOK FORWARD TO VENEZUELAN REACTIONS. CHRISTOPHER

UNQUOTE VANCE

CONFIDENTIAL

<< END OF DOCUMENT >>

Message Attributes

Automatic Decaptioning: X
Capture Date: 26 sep 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC COOPERATION, BRIEFING MATERIALS
Control Number: n/a
Copy: SINGLE
Draft Date: 19 apr 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE100012
Document Source: ADS
Document Unique ID: 00
Drafter: ARA/CAR:ACHEWITT/BTK
Enclosure: n/a
Executive Order: 11652 GDS
Errors: n/a
Expiration:
Film Number: D780167-0978
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t197804109/baaafclr.tel
Line Count: 1030
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, TEXT ON MICROFILM
Message ID: e038bda6-c288-dd11-92da-001cc4696bcc
Office: ORIGIN ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 19
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 13 jun 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2830337
Secure: OPEN
Status: NATIVE
Subject: CONSULTATIONS ON CARIBBEAN COOPERATION
TAGS: EAID, EFIN, ECIN, VE, XL, US
To: CARACAS INFO BRIDGETOWN MULTIPLE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/e038bda6-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014